Research Report

Newspaper Advertising Bureau, Inc. 1180 Avenue of the Americas, New York, New York 10036

REAL ESTATE IN THE EIGHTIES:

A STUDY OF HOME BUYERS AND SELLERS

This study is one of a series of marketing research reports prepared by the Newspaper Advertising Bureau, Inc., as a service to the newspaper business and its advertisers.

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HIGHLIGHTS

1. Government and real estate industry sources indicate that over the past decade prices for new and used houses have increased more than the overall inflation rate. During the same period real income, as measured in constant dollars, has decreased.

2. High housing prices and high interest rates mean that the mere desire to buy a house is no longer enough. Those with the wherewithal to buy tend to be well educated and well paid. Three fourths (77%) of the home buyers in this sample have attended college, and 62% work as managers or professionals.

3. Most home buyers and sellers regard real estate as a better investment than either savings accounts or the stock market. This is especially true of younger home buyers.

4. About half (53%) say that they try to keep abreast of trends in the real estate business. Among these trend followers the favored source of information (mentioned by 70%) is the newspaper. Three fourths of the home buyers and sellers interviewed say that a healthy real estate industry is "very important" to the national economy.

5. Home buyers and sellers give their own realtors favorable ratings on service functions, especially those most directly connected with selling a house. For example, 74% of the buyers rate their real estate agents "high" or "very high" on "being up to date on local housing availability and costs".

6. When asked about the advantages of dealing with different kinds of realty firms, clients of local independents tend to associate them mainly with "friendly" or "personal" service, while clients of larger regional and national firms refer to "professional" or "efficient" service and to more listings.

7. Proposed innovations in realtor services find varying levels of acceptance from clients. More than six out of ten buyers respond favorably to the idea of financing through a mortgage broker associated with a realty firm. Four out of ten would consider investing in large-scale real estate developments on a share basis. Only one third say they would consider taking out a homeowner policy through a realty firm.

8. Even after they engage the services of a realtor, most home buyers and sellers continue to check the "Homes for Sale" listing in newspaper classified sections. Among the two thirds who say that they continue to check classified ads, about nine out of ten look at "Homes for Sale" at least once a week.

INTRODUCTION

The research covered by this report is designed to address current concerns of the real estate industry. In this context, special acknowledgement should be given to a task force made up of representatives from realty organizations and classified advertising managers from major newspapers:

Jon Greenleaf; Merrill Lynch Realty
Jack Hull; Coldwell/Banker
Bill Keleher; BERG agency
Perry Smulson; Wells, Rich, Greene, Inc. (Century 21)
Ron Davis; National Association of Realtors
Buddy Banks; Richmond Newspapers
Dennis Grant; Chicago Tribune
Beverly Klein; Milwaukee Journal
Barbara Litrel; New York Times
Nancy Stewart; Courier News; Bridgewater, NJ
Fred Weiss; Knight-Ridder Newspaper Sales
Eric Anderson; Newspaper Advertising Bureau
Tony Marsella; Newspaper Advertising Bureau
Stu Tolley; Newspaper Advertising Bureau

Extensive discussion among task force members pointed up areas of concern and suggested new approaches for researching these topics. However, Newspaper Advertising Bureau assumes complete responsibility for the conduct of the research and all conclusions drawn in this report.

Past NAB research studies of recent home buyers have focused almost exclusively on such issues as reasons for moving, time spent looking for a house to buy, factors influencing the choice of a realtor, etc. The present research differs from past studies in several respects, the main differences being:

1) Through the cooperation of National Association of Realtors and individual realty organizations, an effort was made to obtain interviews with household heads still in the process of buying or selling a home, in the hope of obtaining more accurate and detailed information.

2) Two separate interview forms were used, one focusing on home buying and one on home selling. This was done to obtain ratings on specific realtor functions associated with buying and selling.

3) The research went beyond the immediate issues connected with buying or selling to explore general attitudes toward realtors and interest in following trends in the real estate business. Respondents were also asked about their potential interest in new services that might be offered by realty firms.

The initial research design called for interviewing a total of approximately 450 buyers and 450 sellers by telephone, with the geographic distribution of these 900 interviews paralleling 1982 sales of residential real estate in the United States, excluding Alaska and Hawaii. Unfortunately, this goal proved unattainable, so that interviews were completed with only 382 respondents located mostly in the North Central and Pacific regions. In view of this sampling problem, findings presented in the report amount to tentative descriptions of general patterns. Without a representative sample of realtor clients it is not possible to arrive at precise measures of attitudes or behavior. Nevertheless, the general consistency of the data suggests that a representative sample might be expected to yield similar results.

Central location WATS-line interviewing for the research was conducted in the spring of 1984. Field work and tabulations were supervised by Creative Research Services of New York, to the specifications of Newspaper Advertising Bureau. The report was written by Charles Lehman of NAB's Research Department.

DETAILED FINDINGS

I. WHO'S BUYING NOW?

The Economics of Home Buying

Over the past decade, the median price of both new and existing houses in the United States has more than doubled (Table 1).

Table 1

Median Price of Houses Sold

	Year: 1974	1983	Percent Increase
New houses	$35,900	$75,300	110%
Existing homes	$32,000	$70,300	120%

Sources: Bureau of the Census (for new houses); National Association of Realtors (for existing homes).

During the same period, the mean price[1] for new houses rose even more, from $38,900 to $89,900, an increase of 131%. Since houses at the upper end of the price range affect the mean more than the median, this suggests a recent "split" in the pricing of residential real estate. In other words, the United States housing market may be developing a two-tier pricing system, with relatively more houses at either end of the price range and somewhat fewer in the middle.

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1) The mean price is an arithmetic average. The median is the midpoint of the distribution of prices. (That is, 50% of all buyers paid less than this amount while the remaining 50% paid more.)

Government figures on the distribution of sales prices in 1973 and 1982 tend to confirm that a two-tier pricing system may be developing (Table 2). The intended emphasis here is on the spread of prices rather than the absolute dollar level, but it might be noted that the highest category shown for 1973 is lower than the median for 1982.

Table 2

Distribution of Sale Prices
for New Private One-Family Homes: 1973/82

1973		1982	
Price	Percent	Price	Percent
Under $20,000	8.2%	Under $50,000	16.2%
$20,000 - $29,000	32.9	$50,000 - $59,999	16.5
$30,000 - $39,999	30.9	$60,000 - $69,999	18.7
$40,000 - $49,999	15.5	$70,000 - $79,999	12.9
$50,000 & over	12.2	$80,000 - $99,999	14.8
		$100,000 - $119,999	6.3
		$120,000 & over	14.6

Source: Bureau of the Census and U.S. Department of Housing and Urban Development

How does the jump in the cost of one-family homes compare with other major categories in the consumer price index? The most recent figures available indicate that the cost of medical care has increased even more rapidly than housing prices, while transportation costs have just about kept pace (Table 3). Other major categories show smaller increases.

Table 3

Percent Increase in Major Consumer-Price-Index Categories, 1974/83

Medical care	136%
Transportation	118
Housing[a]	116
Food and beverages	79
Entertainment	73
Apparel and upkeep	44
Other goods and services	102

Source: U.S. Dept. of Labor, Monthly Labor Review, May 1984.

a) In this table, "housing" is a composite made up of several factors, including rent, home purchase, maintenance and upkeep, etc. One of these (fuel oil) increased by 196% over the ten-year period shown.

In order to round out the picture on housing costs, some attention should be given to the question of how much house people can get for their money. In this context, government figures show that the median square feet of floor area in new houses peaked in 1978 (Table 4). Since then, figures on floor area show a small but steady decline each year, so that a typical new house built in 1982 was about the same size as those built in 1975.

Table 4

Median Square Feet of Floor Area
in New One-Family Houses: 1975 - 1982

Year	Median Sq. Ft.	Year	Median Sq. Ft.
1975	1,535	1979	1,645
1976	1,586	1980	1,595
1977	1,600	1981	1,550
1978	1,666	1982	1,520

Source: U.S. Bureau of the Census and U. S. Dept. of Housing and Urban Development

Economic Factors Affect the Demographic Mix of Home Buyers

On the whole, family incomes did not keep pace with inflation between 1973 and 1982. According to the latest government income statistics available, the typical family's purchasing power dropped by more than 10% during this time (Table 5)

Table 5

Median Family Income,
in 1982 Constant Dollars

1973	$25,175
1982	$23,433

Source: U.S. Bureau of the Census, Current Population Reports

Declining purchasing power and skyrocketing interest rates obviously have a negative impact on aspiring home buyers. The net annual increase in the number of homeowner households plummeted from 1,251,000 in 1980, to 153,000 in 1982, and the 1983 figure (434,000) shows no statistically significant change from 1982[1].

The current level of mobility and divorce probably means that American families are less likely than ever before to spend their entire lives in the same house. Repeat buyers represent an important segment in today's housing market. They tend to be older than first-time buyers and probably have more disposable income. The higher prices they pay for homes (Table 6) often reflect the use of profit from the sale of a previously owned home to "upgrade".

Table 6

Median Prices of Houses Purchased
by First-Time Buyers and Repeat Buyers

Year	(A) First-Time Buyers	(B) Repeat Buyers	Ratio of (B) to (A)
1977	$43,160	$58,730	+ 36%
1978	46,700	59,180	+ 27%
1979	50,800	64,600	+ 27%
1980	61,450	75,750	+ 23%
1981	63,180	82,220	+ 30%
1982	58,900	98,300	+ 67%

Source: Chicago Title Insurance Co., The Guarantor (copyright). Cited in Statistical Abstract of the United States, 1984.

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1) Source: U.S. Dept. of Commerce, Homeownership Trends: 1983

In view of the difference in purchase prices paid by first-time buyers and repeat buyers, it might be said that a two-tier housing market has existed for some time. In 1982, the typical repeat buyer paid 67% more than the typical first-time buyer-- a record differential. However, this spread may be a statistical anomaly rather than the precursor of a long-term trend.

The various statistics cited above reflect only a few of the many economic stresses impinging on today's home buyers. The implication of these figures is clear: The proportion of would-be home buyers with the financial resources to buy is smaller today than in the past. In other words, it is reasonable to assume that those who are able to buy in today's market generally have high socio-economic status. The demographic characteristics of buyers interviewed for this research (Table 7) certainly point in that direction: 62% of the home buyers are professionals or managers, and 77% have college backgrounds.

Table 7

Composition of Sample

	Total	Buyers	Sellers
Total respondents	100%	100%	100%
By Sex:			
Male	63%	66%	58%
Female	37	34	42
By Age:			
18-34 years	42%	49%	33%
35-44 years	33	32	35
45 years or older	24	18	32
By Household Income:			
Over $50,000	31%	32%	30%
$35,000 - $50,000	23	25	19
Under $35,000	26	24	28
By Presence of Children:			
Children 17 or younger	53%	53%	53%
No children	40	39	42
By Education:			
College graduate	50%	54%	44%
1 -3 years college	23	23	24
High school graduate	23	19	27
Some high school or less	4	3	5
By Employment:			
Employed	81%	87%	73%
Professional, manager	56	62	48
Clerical, sales	12	12	12
Other employed	13	13	13
Not employed	18	12	26

(Some classifications do not total 100% because "no answers" and refusals have been omitted.)

The distinction in Table 7 between "buyers" and "sellers" is rather artificial; most of the people in both subsamples are buying one house and selling another. Nevertheless, it should be noted that the percentage of college graduates, professionals and managers is higher among buyers than among sellers. The reason is that about one fourth of the buyers are first-time buyers, whereas some of the sellers bought their present homes when prices and interest rates were lower.

About four out of five (81%) of the realtor clients interviewed are married (not shown in table). This proportion is identical for the buyer and seller groups.

As a group, realty clients are good newspaper readers (Table 8). Seven out of ten (69%) read yesterday's weekday edition.[1] Newspaper reading is especially high among those owning homes with a market value of more than $100,000 (76%) or having family incomes over $50,000 (78%).

1) Interviewing was conducted Tuesdays through Saturdays, so "yesterday" reading refers to Monday through Friday editions.

Table 8

Yesterday's Daily Newspaper Readership
Among Realtor Clients

	Base: = 100%	Read Yesterday
Total Respondents	(382)	69%
By Sex:		
Male	(239)	70%
Female	(143)	67
By Age:		
18-34 years	(162)	69%
35-44 years	(126)	71
45 years or older	(92)	67
By Household Income:		
Over $50,000	(120)	78%
$35,000 - $50,000	(87)	77
Under $35,000	(99)	63
By Type of Realtor:		
Local Independent	(83)	71%
Large Organization	(279)	70
By Market Value of Home:		
Over $100,000	(150)	76%
$50,000 - $100,000	(181)	66
Under $50,000	(35)*	63

*Small base: shown for consistency only.

Question: Regardless of whether you saw the real estate ads or not, when was the last time you read or looked at a daily newspaper?

Demographic characteristics can also have implications for attitudes, lifestyles and "psychographic" traits. For example, self-concept data from the SMRB "Study of Media and Markets" show that the proportion of adults who call themselves "intelligent" is highest among college graduates and lowest among those with less than a high school education (Table 9).

Table 9

Self-Concept: Percentage Who Call Themselves "Intelligent", by Education

Total Adults	31%
College graduate	44%
1-3 years college	37
High school graduate	28
Some high school or less	25

Source: SMRB, 1983 Study of Media & Markets

The Homebuyer Mix Affects The Realtor's Task

The main point of this background discussion is to suggest that the characteristics of real estate clients can change the nature of the realtor's job. As a group, today's home buyers are probably the smartest ever. They are likely to be less sentimental and less susceptible to blatant emotional appeals than earlier home buyers were. Those who are professionals (and they are the majority!) expect their realtors to be professional also.

II. THE BUYING AND SELLING PROCESS

Over the years a great deal of research has been conducted with home buyers, focusing on their reasons for buying a house, their means of locating a realtor, the kinds of features desired in a new house, etc. The present research takes a broader, more inclusive look at client attitudes toward realtors, potential interest in new realtor services, and other subjects, but it also touches on questions traditionally used in real estate research. This chapter deals with some of these traditional concerns.

Why Do People Move?

In this sample of home buyers and sellers, the three most frequently mentioned reasons for moving are: Job transfers (25%), the desire for a larger house (23%), and the desire for home ownership (Table 10). In a 1978 study of home buyers[1] the same three reasons were mentioned by similar proportions of householders.

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1) "An Eight-Market Study of Recent Home Buyers", Newspaper Advertising Bureau, 1978.

Table 10

Main Reason For Moving From Present Home

	Total Respondents[a]	Buyers	Sellers
Job transfer	25%	29%	21%
Wanted larger house	23	19	29
Desire to own home	14	24	-
Wanted better neighborhood	11	10	11
Tax advantages	6	11	-
Wanted smaller house	6	3	10
Personal reasons	4	-	9
Good investment	3	5	-
To liquidate investment	3	-	6
Wanted better schools	2	3	2
To locate closer to work	2	1	3
All other reasons	3	1	6
No longer interested in buying/selling	13	17	9
No answer	2	2	3
Base: Total respondents = 100%	(382)	(217)	(165)

a) Totals more than 100% because of multiple answers.

Question: Buyers - When you recently contacted a realtor about buying a home, what were your main reasons for moving from your present home?

Sellers - When you listed your present home for sale, what were your main reasons for changing your residence?

As Table 9 shows, this 1984 research on realtor clients includes a sample of sellers as well as buyers. Sellers mention two reasons for moving that do not appear on the buyers' list or in previous surveys of home buyers: "personal reasons" (9%), and "to liquidate investment, get cash" (6%). These may be delicate or face-saving ways of referring to a divorce or the death of a spouse.

Do Home Buyers and Sellers Recall Any Advertising?

Respondents were asked to recall whether they had seen or heard any advertising for real estate firms at the time when they first started thinking about buying or selling. Roughly half (47%) of the respondents gave affirmative answers (Table 11). This figure probably understates the actual level of exposure to realtor advertising[1] but the percent who recalled seeing or hearing advertising was similar for both men and women, buyers and sellers, and various age and income groups.

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1) The original design for the research called for interviewing male and female heads of household while they were still in the process of buying or selling a home. However, by the time lists could be typed up, sent to NAB, forwarded to the research company and actually used for interviewing, many respondents had already completed the buying or selling process. As a result, certain questions in the interview make more demands on the respondent's memory than the research design anticipated.

Table 11

Whether Respondent Saw or Heard Any Advertising When First Thinking About Buying/Selling Home

	Base: = 100%	Saw or Heard Advertising: Yes	Saw or Heard Advertising: No	No Answer
Total Respondents	(132)	47%	52%	1%
Buyers	(217)	50%	49%	1%
Sellers	(165)	43	56	1
By Sex:				
Male	(239)	44%	55%	1%
Female	(143)	53	47	-
By Age:				
18-34 years	(162)	46%	53%	1%
35-44 years	(126)	47	52	1
45 years or older	(92)	50	50	-
By Household Income:				
Over $50,000	(120)	45%	55%	-
$35,000 - $50,000	(87)	47	51	2%
Under $35,000	(99)	46	53	1
By Market Value of Home:				
Over $100,000	(150)	48%	51%	1%
$50,000 - $100,000	(181)	43	56	1
Under $50,000	(35)*	54	46	-

* Small base: shown for consistency only.

Question: When you first started thinking about _____ (buying a home, selling your home), did you happen to see or hear any advertising for real estate firms?

Those who recalled exposure to advertising for real estate firms were asked where they had come across this advertising. On average, respondents mentioned 1.8 media used by realtors. The most frequently cited source (by 67%) was the newspaper (Table 12).

Table 12

Where Advertising For Real Estate Firms Was Seen or Heard

	Percent
Newspaper	67%
Television	47
Radio	26
Magazine	11
Yard sign	9
Billboard	8
Pennysaver	3
Direct mail	2
All other	2
No answer	2

Base: Total recalling advertising = 100%

Question: Where did you see or hear this advertising--on radio, in a newspaper, on TV, or where?

Today's Buyers Spend More Time Looking

Respondents in the home buyer group were asked how long they had been seriously looking for a house to buy. Answers to this question ranged all the way from two weeks or less (for 11%) to fifteen months or more (for 9%). The 1978 research previously cited also included a question on time spent looking for a house. The questions used were different, but a rough comparison indicates that the typical 1978 respondent spent 46 days looking, in comparison to 70 days for the 1984 buyer (Table 13). (All of the 1978 respondents had already bought a house, whereas some of the 1984 respondents were still looking).

Table 13

Length of Time Spent Looking For A House To Buy

	1984 Buyers[a]	1978 Buyers
2 weeks or less	11%	30%
3 to 4 weeks	10	14
1 to 2 months	24	20
3 to 5 months	24	17
6 to 11 months	16	12
12 months or more	15	7
(Median time)	(70 days)	(46 days)

Question: 1984 - About how long have you been seriously looking for a home to buy?
1978 - After you first started looking, about how long was it before you decided on the home you bought?

a) "No answers" excluded to facilitate comparison (3% of total).

--And Most Buyers Talk With More Than One Realtor

The longer housing searches made by today's prospective buyers probably reflect unpleasant realities, especially high interest rates and prices that may be beyond their means.

The majority of the 1984 buyers (57%) also report talking with two or more realtors (Table 14) and about one quarter of the buyers (24%) say that they have spoken with four or more realtors.

Table 14

Number of Real Estate Agents or Brokers Buyers Have Talked With

	Percent	Cumulative Percent
One	42%	99%
Two	18	57
Three	15	39
Four	9	24
Five or more	15	15
No answer	1	
Base: Total buyers = 100%	(217)	

Question: And during that time, how many different real estate agents or brokers have you talked with?

Buyers Give Their Realtors Good Ratings on Key Services

Instead of asking home buyers to give their realtors all-inclusive ratings on service, this research focuses attention on six separate realtor functions (Table 15).

On the whole, home buyer responses to this part of the interview reflect favorable attitudes toward the realtors they deal with most often. Three out of four (74%) rate their agents and brokers "high" or "very high" on "being up to date on local housing availability and costs". A similar proportion (72%) rate realtors "high" or "very high" on "understanding your housing needs". A majority (57%) also agree that their realtors are effective at "helping you find the kind of financing you need".

Table 15 shows that realtors get their most favorable ratings on functions that are central to their traditional role of matching up available housing and available buyers. Ratings were somewhat lower for secondary functions like "giving you information about tax laws that affect homeowners" but even in these cases the majority of home buyers rate their realtors "average" or better. These advisory functions may appear to be unrelated to the basic task of selling, but they probably have important implications for the realtor's status as a professional.

Table 15

Buyers Ratings of Principal Realtors on Specific Services

	Very High	High	Average	Low	Very Low
Understanding your housing needs	36%	36%	19%	3%	3%
Being up to date on local housing availability and costs	35	39	20	1	2
Helping you find the kind of financing you need	27	30	27	8	3
Advising you on the investment value of different kinds of homes	22	24	35	10	5
Giving you information about tax laws that affect homeowners	15	21	30	20	8
Advising you on how construction features affect cost of upkeep	14	22	28	20	10

Base: Total buyers = 100% (N=217)

(Rows do not total 100% because "don't know, no answer" categories have been omitted.)

Question: In the course of looking for a home you have probably discussed a lot of things. I would like you to rate the agent or broker you talk with most often on some things that affect the kind of service a home buyer gets. Would you rate your realtor as very high, high, average, low, or very low on:

Rating by Home Sellers Don't Vary Much

Home seller ratings of five other specific realtor functions also tend to be favorable, but ratings by sellers show less variation from one function to another (Table 16). For sellers, the proportion of "high" plus "very high" ratings ranges only from 53% to 64%, as compared with a range of 36% to 74% among buyers who were asked about six different functions.

The greater consistency in seller ratings may reflect the closer relationship between sellers and realtors, and the fact that the realtor is the seller's legal agent. Home sellers gave realtors particularly good marks for "advertising your home in a way that emphasizes its best features" (64% high/very high) and "showing people through your home in a way that makes a good impression" (62%).

Six out of ten sellers (61%) reported that their realtors had already arranged for an open house by the time they were interviewed (not shown in table).

Table 16

Seller Ratings of Principal Realtors on Specific Services

	Very High	High	Average	Low	Very Low
Showing people through your home in a way that makes a good impression	29%	33%	27%	6%	1%
Advertising your home in a way that emphasizes its best features	27	37	21	7	6
Advising you on what you can do to make your home a more attractive buy	26	29	32	8	4
Screening prospective buyers to make sure they are serious prospects	24	39	19	10	4
Advertising your home often enough to reach the maximum number of prospects	23	30	25	13	5

Base: Total sellers = 100% (N=165)

(Rows do not total 100% because "don't know, no answer" categories have been omitted.)

Question: Since listing your home for sale you have probably learned a lot about your real estate firm's approach to selling. I'd like you to rate your agent or broker on five things that affect the kind of service you get. Would you rate your realtor as very high, high, average, low or very low on:

Most Sellers Are Also Prospective Buyers

The majority of home sellers (62%) say that when they sell their present homes, they plan to buy another (Table 17). The remaining sellers are divided among those who plan to rent (16%), those who will live in a second home they already own (14%), and a few (2%) who will make some other arrangement.

The proportion who plan to buy another home is highest (at 76%) among home owners with incomes over $50,000 and lowest (at 43%) among those who are 45 or older. Conversely, this oldest group of sellers is most likely to report owning a second home that they will move into.

On the whole, these responses confirm that most Americans put a high value on home ownership. Sellers who become renters, and those who give up one of two homes owned may be impelled to do so by retirement, financial considerations, physical disabilities associated with aging, or the death of a spouse.

Table 17

Future Housing Plans of Sellers

	Base: = 100%*	Buy Another Home	Rent	Have Second Home
Total Sellers	(165)	62%	16%	14%
By Sex:				
Male	(95)	64%	10%	18%
Female	(70)	60	24	9
By Age:				
18-34 years	(55)	67%	18%	11%
35-44 years	(57)	75	11	7
45 years or older	(53)	43	19	25
By Household Income:				
Over $50,000	(50)	76%	6%	14%
$35,000 - $50,000	(32)	59	25	6
Under $50,000	(46)	59	22	11
By Market Value of Home:				
Over $100,000	(65)	65%	12%	15%
Under $100,000	(99)	61	17	13

* Rows do not add to 100% because "other answer" and "no answer" have been omitted (8% of total responses)

Question: When you sell your present home, do you plan to buy another home, are you going to move into a second home you already own, or what?

They Keep on Checking the Classified Section

At the time of their interviews, all of the respondents in this sample had already contacted a realtor. The sellers had listed their homes for sale, and some buyers and sellers had already completed real estate transactions.

Nevertheless, two thirds of the total sample (67%) report that they are still checking homes for sale in the classified section of the newspaper (Table 18). This proportion is identical among both buyers and sellers. In all of the key demographic segments analyzed, more than six out of ten report that they still check the classified section.

Table 18

Whether Respondent Still Checks Homes For Sale
In Newspaper Classified Section

	Base: = 100%	Yes, Check	No, Don't Check
Total respondents	(132)	67%	33%
Buyers	(217)	67%	33%
Sellers	(165)	67	33
By Sex:			
Male	(239)	69%	31%
Female	(143)	64	36
By Age:			
18-34 years	(162)	72%	28%
35-44 years	(126)	63	37
45 years or older	(92)	62	38
By Household Income:			
Over $50,000	(120)	66%	34%
$35,000 - $50,000	(87)	72	28
Under $35,000	(99)	65	35
By Market Value of Home:			
Over $100,000	(150)	65%	35%
$50,000 - $100,000	(181)	68	32
Under $50,000	(35)*	63	37

* Small base: shown for consistency only.

Question: Buyers: Even though you are now working with a real estate agent, do you still check the homes for sale in the newspaper classified section?

Sellers: Now that your own home is listed for sale, do you still look in the newspaper classified section to see how other homes for sale are being advertised?

How Often Do They Check Classified?

Among those who say that they continue to check the classified section, about nine out of ten (89%) look at the classified pages at least once a week (Table 19). Roughly four out of ten (38%) see the homes for sale ads more than once a week.

Table 19
Frequency of Checking Homes for Sale
In Newspaper Classified Section

	Base: = 100%	Almost Every Day	2 - 3 Times A Week	About Once A Week	Less Often
Total respondents[a]	(256)	16%	22%	51%	11%
Buyers	(145)	14%	22%	52%	12%
Sellers	(111)	18	21	51	10
By Sex:					
Male	(165)	16%	24%	50%	10%
Female	(91)	14	17	54	14
By Age:					
18-34 years	(117)	11%	21%	58%	10%
35-44 years	(80)	20	25	44	10
45 years or older	(57)	19	16	51	14
Household Income:					
Over $50,000	(79)	13%	18%	58%	11%
$35,000 - $50,000	(63)	24	27	40	9
Under $50,000	(64)	14	23	56	6

Base: Respondents who report checking classified = 100%

a) Some rows do not total 100% because "no answers" have been omitted (less than 0.5% of total).

Question: About how often do you look at homes for sale in the newspaper classified section--almost every day, two or three times a week, about once a week, or less often?

III. THE REALTOR'S PLACE IN A CHANGING WORLD

The Realtor "Image"--A Paradox

As shown in the preceding chapter (Tables 15 and 16), both buyers and sellers tend to give their realtors high marks on specific service functions. In view of these findings, it may seem curious that the same people give realtors only fair to middling grades on honesty and ethical standards (Table 20). On these traits realtors are rated much higher than the people who sell cars and insurance, about the same as stockbrokers, and considerably lower than druggists or bankers.

Table 20

Six Occupations: Ratings for Honesty and Ethical Standards*

	Total Respondents	Buyers	Sellers
Druggists	78%	77%	79%
Bankers	57	53	62
Stockbrokers	27	27	26
Realtors	23	22	24
Insurance salepeople	9	8	11
Car salespeople	2	1	4
Base: Total respondents = 100%	(382)	(217)	(165)

* Percentages shown represent "very high" plus "high" ratings.

Question: Would you rate the honesty and ethical standards of _____ as very high, high, average, low or very low?

Although the figures shown in Table 20 may be cause for concern, their importance should not be overestimated. In fact, ratings for all six of the listed occupational groups might be considered stereotypes that have little bearing on the way members of the public relate to particular individuals in these occupations. Perhaps it is more significant that 55% give realtors an "average" rating on honesty and ethical standards.[1] Nevertheless, the figures in Table 19 do suggest that advertising designed to give realtors a more professional image has so far met with only limited success.

Perceptions of Independents and Large Organizations

Apart from any stereotypes clients may have about realtors as a group, they also find different advantages in dealing with a local independent or a large organization (Table 21). Among the home buyers and sellers patronizing local independents, 64% associate this kind of realty firm with friendly, personal service. Among the clients of large realty organizations, only 19% talked about friendly, personal service, but large organizations received many more references to professionalism or efficiency, and many more comments about the number of listings available.

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1) For additional details on these ratings among demographic segments, see Appendix Table 1.

Table 21

Main Advantages of Dealing With A Local Independent Realtor Or A Large Organization

	Local Independent	Large Organization
More personal service, friendlier	64%	19%
Have more listings	17	43
More professional, efficient	11	50
More knowledge of local area	4	-
Local financing	1	-
Knew agent personally	-	5
All other mentions	1	7
"No advantages"	5	5
No answer	5	4
Base: Respondents Dealing With Specified Type of Real Estate Firm = 100%	(83)	(279)

Questions: Is the real estate firm you most often deal with a local independent realtor or part of a large organization like Century 21, ERA or Coldwell Banker? What are the main advantages of dealing with a _____ (Local independent realtor, a large organization)?

How Does Real Estate Stack Up As An Investment?

At the beginning of the interview, respondents were asked which of three options they would choose if they were to put all of their funds into only one type of investment. Exactly half (50%) chose "real estate", as compared with 35% opting for "a savings account", and 12%, the stock market (Table 21). A larger percentage of buyers (56%) than sellers (43%) saw real estate as the most desirable investment.

Table 22

The Most Desirable Investment (Forced Choice)

	Total Respondents	Buyers	Sellers
Real estate	50%	56%	43%
Savings account	35	32	39
Stock market	12	10	15
Don't know, no answer	3	2	3
Base: Total respondents = 100%	(382)	(217)	(165)

Question: Suppose that for some reason you wanted to put all of your funds into only one type of investment. Which do you think would be most desirable for you personally--the stock market, real estate or a savings account?

--But Investment Preferences Can Change With Age

The belief that real estate is the most desirable kind of investment is strongest among the young adults who are most likely to be first-time home buyers (Table 23). With adults under 35, "real estate" is a clear favorite, outpulling the second-ranking "saving account" by almost two to one.

On the other hand, those who are 45 or older are more likely to choose a savings account (46%) than real estate (34%). These contrasting attitudes may reflect real differences between generations, shifts influenced by a given individual's stage in the life cycle, or other unidentified factors.

Table 23

The Most Desirable Investment, by Respondent's Age

	18-34 Years	35-44 Years	45 Years or Older
Real estate	57%	55%	34%
Savings account	31	33	46
Stock market	10	10	15
Don't know, no answer	2	2	5
Base: Total respondents = 100%	(162)	(126)	(92)

What Makes Real Estate The Best Investment?

Respondents who picked real estate as the best investment for themselves were asked to explain what it is about real estate that makes it desirable (Table 24). In general, this group emphasized the rate of return (49%) or appreciation (30%) more than safety (39%). A sizable minority (23%) also referred to tax advantages.[1]

Table 24

Reasons Why Real Estate
Is The Most Desirable Investment

	Total Respondents*	Buyers	Sellers
Best return on money	49%	47%	54%
High appreciation	30	34	23
Safest, least risk	39	36	45
Most tax advantages	23	26	17
Best hedge against inflation	9	8	10
No answer	6	6	6
Base: Total who say real estate is most desirable investment = 100%	(193)	(122)	(71)

* Total exceeds 100% because of multiple answers.

Question: What is it about real estate that makes it the most desirable kind of investment for you?

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1) Buyers' responses to a question on the advantages of buying over renting put much more emphasis on tax advantages. (See Appendix Table 4)

Housing Prices Versus The General Inflation Rate

Another question related to real estate as an investment focuses on changes in the market value of housing relative to the general inflation rate (Table 25). The majority of home buyers and sellers (56%) agree that over the past five years residential housing prices have risen more than inflation overall. Only 15% express the opposite view, that housing prices have gone up less than the general inflation rate. These ratios show no striking variations for major demographic segments analyzed.

Table 25

Perception of Market Value of Housing
Versus General Inflation Rate

	Base: = 100%	Market Value of Housing Has: Gone Up More	Gone Up Less	Kept Pace
Total respondents	(382)	56%	15%	29%
Buyers	(217)	58%	14%	27%
Sellers	(165)	53	16	30
By Sex:				
Male	(239)	56%	14%	29%
Female	(143)	56	16	27
By Age:				
18-34 years	(162)	51%	17%	31%
35-44 years	(126)	60	14	26
45 years or older	(92)	60	12	27
By Household Income:				
Over $50,000	(120)	56%	16%	28%
$35,000 - $50,000	(87)	52	17	31
Under $35,000	(99)	50	17	31
By Market Value of Home:				
Over $100,000	(150)	55%	14%	30%
$50,000 - $100,000	(181)	54	16	30
Under $50,000	(35)*	63	20	17

* Small base - shown for consistency only.

Question: In the past five years or so, would you say that the market value of residential housing has gone up more than the general inflation rate, less than the general inflation rate, or just about kept pace with inflation?

Is The Investment Value of Home Ownership Declining?

On the question of the investment potential of home ownership today, compared with five years ago, respondents were divided about evenly between those who say that it is a better investment now (36%) and those who say that it is not as good an investment (42%) (Table 26). Respondents were asked to choose one of these two possibilities, but 22% volunteered the opinion that there has been no change in the investment value of home ownership.

Table 26

Home Ownership As An Investment:
Now Versus Five Years Ago

	Total Respondents	Buyers	Sellers
A better investment now	36%	38%	34%
Not as good an investment as it used to be[a]	42	42	42
About the same as before (volunteered)	22	20	24
Base: Total respondents = 100%	(382)	(217)	(165)

Question: As compared with five years ago, would you say that home ownership is now a better investment than it used to be or not as good an investment as it used to be?

a) See Appendix Table 2 for respondents' comments about why real estate is a less desirable investment now.

Today's Home Owners Follow Real Estate Trends

In response to a direct question, about half (53%) of the respondents indicate that they try to keep up with trends in the real estate business, apart from their personal interest in buying or selling a home (Table 27). Like many of the other attitude measures obtained in this research, this proportion shows little variation from one demographic segment to another.

The high level of interest in real estate as a business suggests that some contemporary home owners may regard their residences much as they would any other "investment", regardless of emotional connotations the word "home" might have had for an earlier generation. It would be reasonable to expect that some two-career couples[1] have relatively little involvement with "hearth and home", especially if they are childless.

1) Among married respondents, about half (51%) report that both spouses are employed.

Table 27

Percent Who Try To Stay Abreast Of Trends In the Real Estate Business

	Base: = 100%	Percent
Total respondents	(382)	53%
Buyers	(217)	51%
Sellers	(165)	55
By Sex:		
Male	(239)	53%
Female	(143)	52
By Age:		
18-34 years	(162)	52%
35-44 years	(126)	50
45 years or older	(92)	58
By Household Income:		
Over $50,000	(120)	53%
$35,000 - $50,000	(87)	51
Under $50,000	(99)	49
By Market Value of Home:		
Over $100,000	(150)	53%
$50,000 - $100,000	(181)	51
Under $50,000	(35)*	51

* Small base: shown for consistency only.

Question: Apart from any direct interest in buying or selling a home, do you try to stay abreast of trends in the real estate business?

The Newspaper Is The Number-One Source

Among those who keep abreast of real estate trends, the primary source of information is the newspaper (Table 28). Seven out of ten (70%) say that they get their news about real estate mainly from the newspaper. The second-ranking source is "personal contacts", mentioned by 33%.

Table 28

Main Source of Information
on Real Estate Business Trends

	Total Respondents[a]
The newspaper; classified ads	70%
Personal contacts	33
Business publications[b]	22
TV newscast	8
Radio newscast	3
All other mentions	1
No answer	2
Base: Total who try to keep abreast of trends = 100%	(201)

a) Total exceeds 100% because of multiple answers.

b) Includes mentions of Business Week, Fortune, Wall St. Journal, etc.

Question: What is your main source of information about what is going on in the real estate business as a whole?

The Real Estate Business: A Key Factor In the Economy

Awareness of real estate's importance to the national economy is much more widespread than the habit of following trends in the business (Table 29). Three out of four realtor clients (75%) call a healthy real estate industry "very important" to the nation's economy. Only 3% believe that it is "not very important" or "not important at all".

On a purely objective level, of course, a healthy real estate industry is very important to our national economy. However, the sample's awareness of that importance may well reflect their vested interest as homeowners. A sample composed entirely of renters would probably be less sensitive to real estate's key functions in our economy.

A house represents the largest single purchase most Americans make in their lifetimes. Therefore, it is safe to assume that home owners as a group would almost automatically be opposed to any development or government action that threatens the value or liquidity of their housing investment.

Table 29

Importance of a Healthy Real Estate Industry to the National Economy

	Base: = 100%	Very Important	Somewhat Important	Not Very, Not at All Important
Total Respondents	(382)	75%	22%	3%
Buyers	(217)	72%	26%	3%
Sellers	(165)	79	19	2
By Sex:				
Male	(239)	75%	22%	3%
Female	(143)	77	22	1
By Age:				
18-34 years	(162)	70%	28%	2%
35-44 years	(126)	75	20	4
45 years or older	(92)	85	15	-
By Household Income:				
Over $50,000	(120)	73%	24%	3%
$35,000 - $50,000	(87)	74	24	2
Under $50,000	(99)	80	17	2
By Market Value of Home:				
Over $100,000	(150)	78%	18%	3%
$50,000 - $100,000	(181)	77	22	1
Under $35,000	(35)*	60	37	2

* Small base: shown for consistency only.

Question: So far as our national economy is concerned, how important is it to have a healthy real estate industry? Would you say it is very important, somewhat important, not very important or not important at all?

How Do Buyers Feel About Innovations In Financing?

Respondents in the home buyers sample were asked about the chances that they would consider financing a home through a mortgage broker connected with a realtor (Table 30). More than six out of ten (63%) said that they would "definitely" or "probably" consider this financing arrangement. Convenience was the principal advantage seen in this innovation.[1]

Nearly eight out of ten men (78%) responded positively to this idea, as compared with only half of the women (52%). A fairly high percentage of "don't know" comments (15%) suggests that some home buyers were not so much resistant to the idea as they were uncertain about how this kind of arrangement would work.

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1) See Appendix Table 3 for more details on perecived advantages.

Table 30

Chances of Financing Through Mortgage Broker Connected with Realtor

	Base: = 100%	Positive[a]	Negative[b]	Don't Know
Total buyers	(217)	63%	22%	15%
By Sex:				
Male	(144)	78%	21%	11%
Female	(73)	52	25	23
By Age:				
18-34 years	(107)	61%	23%	16%
35-44 years	(69)	70	20	10
45 years or older	(39)[c]	56	23	21
By Household Income:				
Over $50,000	(70)	65%	19%	16%
$35,000 - $50,000	(55)	67	20	13
Under $35,000	(53)	63	24	13

a) Would "definitely consider" (15% of total) and "probably consider" (48%) combined.

b) Would "probably not consider" (15%) and "definitely not consider" (7%) combined.

c) Small base: figures are shown for consistency only.

Question: Suppose you should buy a house through a real estate firm which had a connection with a mortgage broker, so that they could have someone call on you at home to discuss financing. What are the chances that you would take a mortgage with this kind of company?

Would They Take Out Homeowner Insurance Through A Realtor?

Both buyers and sellers were asked whether they would consider taking out homeowner insurance through a realtor (Table 31). This idea encountered much more resistance than the idea of using a mortgage broker connected with a realtor. Overall, 61% of the respondents said that they would "probably not" or "definitely not" consider insuring through a realtor.

Resistance to taking out homeowner insurance through a realty firm did not appear to stem from uncertainty or misunderstanding. Only 3% offered "don't know" comments, as compared with 26% who said they would "definitely not" consider this kind of arrangement. The proportion of negative responses was higher among sellers (71%) than among buyers (54%).

About one third of the sample (34%) responded positively to the idea of homeowner insurance through a realty firm, while another 3% said that they had already taken out a homeowner policy through a broker. (All of the latter were buyers.)

Table 31

Chances of Taking Out A Homeowner Policy
Through A Realty Firm

	Base: = 100%	Positive[a]	Negative[b]	Already Have One
Total respondents	(382)	34%	61%	3%
Buyers	(217)	40%	54%	5%
Sellers	(165)	25	71	-
By Sex:				
Male	(239)	34%	62%	3%
Female	(143)	33	60	2
By Age:				
18-34 years	(162)	34%	62%	3%
35-44 years	(126)	31	64	1
45 years or older	(92)	37	55	5
By Household Income:				
Over $50,000	(120)	31%	59%	4%
$35,000 - $50,000	(87)	36	62	1
Under $35,000	(99)	35	61	3
By Market Value of Home:				
Over $100,000	(150)	32%	61%	3%
$50,000 - $100,000	(181)	34	63	2
Under $50,000	(35)*	37	54	3

Base: Total respondents = 100%

* Small base: shown for consistency only.

a) Would "definitely consider" (6% of total) and "probably consider" (28%) combined.

b) Would "probably not consider" (35%) and "definitely not consider" (26%) combined.

Question: Suppose that a real estate firm in your neighborhood offered various kinds of homeowner insurance. What are the chances that you would take out a homeowner policy through a realtor?

Invest In Real Estate Developments? Maybe...

A question about willingness to consider investing in real estate developments on a share basis (Table 32) produced more negative (59%) than positive (39%) responses. However, four out of ten represents a respectable level of acceptance for this kind of question.

Differences in the response patterns found for individual demographic segments are not statistically significant, but the direction of the differences suggests that an investment plan of this type could be successful, especially if well conceived and well executed. The proportion willing to consider this kind of investment through a realty firm is highest among men, respondents less than 35 years old, and those with family incomes of more than $50,000.

Evaluations of the possibilities for this type of venture should also take into account the fact that respondents tend to consider real estate a better investment than either stocks or savings accounts. (See Table 22.)

Table 32

Chances Of Investing In Real Estate Development Through A Realty Firm

	Base: = 100%	Positive[a]	Negative[b]	Don't Know
Total respondents	(382)	39%	59%	2%
Buyers	(217)	43%	55%	2%
Sellers	(165)	34	64	2
By Sex:				
Male	(239)	43%	54%	3%
Female	(143)	32	67	1
By Age:				
18-34 years	(162)	43%	55%	3%
35-44 years	(126)	37	61	2
45 years or older	(92)	35	63	2
By Household Income:				
Over $50,000	(120)	43%	55%	2%
$35,000 - $50,000	(87)	40	59	1
Under $35,000	(99)	32	66	2
By Market Value of Home:				
Over $100,000	(150)	39%	58%	3%
$50,000 - $100,000	(181)	40	58	2
Under $50,000	(35)*	26	71	3

a) Would "definitely consider" (7% of total) and "probably consider" (32%) combined.

b) Would "probably not consider" (32%) and "definitely not consider" (27%) combined.

* Small base: shown for consistency only.

Question: Suppose that a professional real estate firm in your neighborhood offered a plan that would enable you to invest even sums of money like $1,000, $2,000, etc., in large real estate developments. What are the chances that you would consider this kind of investment? Would you definitely consider it, probably consider it, probably not consider it, or definitely not consider it?

A Summing Up:
Where Does The Realty Business Go From Here?

This research, seen in the context of recent developments cited in Chapter I, suggests that both local independents and national realty firms will continue to experience a period of rapid, widespread change. Surviving in today's fast-moving, deregulated economy will demand maximum flexibility, constant attention to shifting market conditions, and possibly the willingness to expand into new services.

The extended housing boom that followed World War II was fueled by a combination of low housing prices, low interest rates and governmental largesse. It is unrealistic to expect a return of such favorable conditions in the foreseeable future. No matter how strong the pent-up demand for housing may be, the proportion of would-be homeowners who are able to buy is smaller now than in previous decades.

In effect, this means that the people who once represented only the cream of the buyer population are now the total market. On the whole, today's home buyers are the best educated, the most affluent and the most sophisticated ever. Even in today's tight housing market, they are more likely to be interested in upgrading than in downgrading. They may also be demanding realty clients.

APPENDIX

Appendix Table 1

Ratings of Realtors for Honesty and Ethical Standards, by Demographics

	Base: = 100%	Very High, High	Average	Low, Very Low
Total respondents	(382)	23%	55%	21%
Buyers	(217)	22%	54%	24%
Sellers	(165)	24	58	16
By Sex:				
Male	(239)	21%	55%	23%
Female	(143)	27	56	17
By Age:				
18-34 years	(162)	17%	62%	15%
35-44 years	(126)	26	51	22
45 years or older	(92)	27	50	19
By Household Income:				
Over $50,000	(120)	21%	53%	23%
$35,000 - $50,000	(87)	21	56	22
Under $35,000	(99)	25	59	15
By Market Value of Home:				
Over $100,000	(150)	26%	48%	25%
$50,000 - $100,000	(181)	21	57	21
Under $50,000	(35)*	22	71	6

* Small base: shown for consistency only.

Appendix Table 2

Reasons Why Home Ownership
Is A Less Desirable Investment Now

	Total Respondents[a]	Buyers	Sellers
Housing prices not rising as fast as before, less appreciation	65%	64%	66%
Interest rates are too high	36	40	30
Property taxes going up	20	21	19
Heating and maintenance costs are too high	6	5	7
Difficult to sell	1	-	1
Too expensive	1	-	1
Poorer quality housing	1	-	1
All other reasons	3	4	-
No answer	1	1	-
Base: Respondents who say home ownership is now a less desirable investment = 100%	(161)	(92)	(69)

a) Total exceeds 100% because of multiple answers.

Question: What is it about home ownership that makes it a less desirable investment than it used to be?

Appendix Table 3

Main Advantage of Using
Mortgage Broker Connected with Realtor

	Percent of Total
Ease or convenience, all done by one person	47%
Good combination, realtor has good connections, would give good service	19
Depends on interest rate, whether rate is competitive	16
Financially advantageous	9
Good to have options (other than banks)	6
All other reasons	4
Don't know, it depends	8
No answer	1
Base: Buyers who would consider financing arrangement = 100%	(136)

Question: What would be the main advantages of this arrangement?

Appendix Table 4

Main Advantages Of Buying Rather Than Renting

	Total Buyers[a]
Tax benefits	67%
Good investment	64
Privacy	38
No landlord problems	12
No answer	3
Base: Total buyers = 100%	(217)

a) Totals more than 100% because of multiple answers.

Question: And for you personally, what are the main advantages of owning rather than renting your home?